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SUBJECT: WEEKLY STATUS REPORT - JAPAN, AUGUST 3, 1978

TO: EA - MR. HOLBROOKE

FROM: EA/J - RICHARD KILPATRICK, ACTING

1. VISIT OF FORMER FINANCE VICE MINISTER MATSUKAWA (LOU)

MATSUKAWA WILL BE IN WASHINGTON AUG 10-11 TO DISCUSS THE YEN AND TO SURVEY PROTECTIONIST SENTIMENT IN THE WAKE OF THE VANIK LETTER TO THE PRESIDENT WHICH URGED CONSIDERATION OF SURCHARGES AND/OR QUOTAS ON IMPORTS FROM JAPAN. THE JAPANESE EMBASSY HERE IS SETTING UP APPOINTMENTS WITH SOLOMON, COOPER, AND MEMBERS OF CONGRESS, INCLUDING SENATOR PROXMIRE AND CONGRESSMAN REUSS.

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2. VISIT OF DIET MEMBER HIGAKI ON CITRUS (LOU)

HIGAKI, CHAIRMAN OF THE LDP AGRICULTURAL POLICY COMMITTEE AND OF THE DIETMEN TREE FRUIT CAUCUS, WILL LEAD A SMALL TEAM OF DIET MEMBERS TO WASHINGTON AUG 6-9 AND TO FLORIDA

AND CALIFORNIA. THE FOCUS OF THE VISIT IS TO DISCUSS JAPAN'S CITRUS IMPORTS AND PREPARE FOR THE VISIT OF MINISTER OF AGRICULTURE NAKAGAWA THE FIRST WEEK OF SEPT.

3. NUTS AND BOLTS (UNCLASSIFIED)

THE INTERNATIONAL TRADE COMMISSION ANNOUNCED YESTERDAY THAT THERE WAS "GOOD CAUSE" TO INSTITUTE AN ESCAPE CLAUSE INVESTIGATION (SECTION 201) ON IMPORTS OF NUTS, BOLTS, AND LARGE SCREWS. US IMPORTS OF INDUSTRIAL FASTENERS FROM JAPAN IN 1977 WERE ABOUT \$250 MILLION (HALF OF US IMPORTS AND THREE-FOURTHS OF JAPAN'S EXPORTS OF THIS ITEM).

THE ITC DETERMINED IN DECEMBER 1977 THAT THE DOMESTIC INDUSTRY WAS SUFFERING SERIOUS INJURY FROM IMPORTS AND RECOMMENDED TARIFFS BE IMPOSED FOR FIVE YEARS, STARTING AT 30 PCT AND GOING DOWN TO 20 PCT IN THE FIFTH YEAR. THE PRESIDENT DECIDED AGAINST THIS RECOMMENDATION. SENATOR GLENN AND CONGRESSMAN VANIK WERE PARTICULARLY CONCERNED ABOUT THE PRESIDENT'S DECISION AND THE CONTINUED VIABILITY OF THE US INDUSTRY.

4. AUTOS: RETAIL SALES OF JAPANESE IMPORTS DOWN AGAIN (UNCLASSIFIED)

WALL ST. JOURNAL REPORTS THAT RETAIL SALES OF JAPANESE LIMITED OFFICIAL USE

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IMPORTS IN JULY WERE 10 PERCENT LOWER THAN IN JULY 1977, CONTINUING A TREND WHICH BEGAN IN APRIL. TOYOTA (DOWN 17 PCT COMPARED WITH JULY 1977) AND DATSUN (DOWN 31 PCT) WERE THE BIG LOSERS, WHILE HONDA MANAGED TO INCREASE ITS UNIT SALES 9 PCT IN JULY. FOR THE FIRST SEVEN MONTHS OF THIS YEAR, TOTAL RETAIL SALES OF JAPANESE IMPORTS ARE ABOUT THE SAME AS LAST YEAR. DECLINES OF ABOUT 10 PCT OF TOYOTA AND DATSUN'S UNIT SALES HAVE BEEN OFFSET BY INCREASES OF HONDA, SUBARU, AND MAZDA.

AUTO INDUSTRY ANALYSTS ATTRIBUTE THE RETAIL SALES DECLINES TO YEN APPRECIATION. JAPANESE CARS NOW COST AMERICANS AN AVERAGE \$800 (ABOUT 15 PCT) MORE THAN THEY DID LAST FALL. BY CONTRAST, PRICES OF THE CHEVROLET CHEVETTE, WHICH COMPETES WITH JAPANESE CARS, HAVE BEEN RAISED BY ONLY \$240 TO \$390 (8 TO 11 PCT).

5. PERSONNEL NOTES (UNCLASSIFIED)

MARILYN MEYERS REPORTED TO EA/J ON AUGUST 1 TO REPLACE STEVE ECTON. MARILYN ARRIVED JUST BEFORE THE KITAMURA VISIT AND HAS ENABLED US TO TAKE A MORE ACTIVE PART IN

THAT VISIT THAN WE COULD OTHERWISE HAVE DONE. VANCE

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